State Employee Benefits Advisory Council Meeting
October 20, 2011
Statewide Benefits Office
Dover, Delaware

The State Employee Benefits Advisory Council met on October 20, 2011 in the Statewide Benefits Office, 500 W. Loockerman St., Suite 320, Dover, Delaware. The following Council members and guests were present:

Brenda L. Lakeman, OMB, SW Benefits Director
Patricia Griffin, SEBAC Chair, AOC
Marsha Carson, SEBAC, DOS
Frederika Jenner, SEBAC, DSEA
Mary Cooke, DOE
Michael Nichols, SEBAC, DSP
Tim Barchak, DSEA
Ann P. Skeans, OMB, SW Benefits
Mary Thuresson, OMB, SW Benefits

Ms. Lakeman called the meeting to order at 3:05 p.m.

1. Approval of Minutes

Ms. Lakeman asked members to review the prior meeting minutes from September 8, 2011, and then requested a motion for approval. Ms. Cooke made the motion and Ms. Carson seconded the motion. Upon unanimous voice vote the minutes were approved.

2. Update of SEBC Activities – Brenda Lakeman (handout of SEBC Agenda, October 24, 2011)

Director's Report

A Request for Proposal (RFP) update was given. Finalist interviews for the Consultant RFP were held October 1. The Proposal Review Committee (PRC) will reconvene on October 25 to vote on a recommendation for award. That will be presented to SEBC on November 28. The Data Mining RFP has five confirmed bidders. Bids are due October 31. Interviews will be in December. A recommendation for award will be brought to the SEBC the first meeting in January. There are six confirmed bidders for the Health RFP. All bidders will not necessarily bid on all components, meaning not bid on all health plans. Bids are due November 14. The finalist interviews are scheduled first week in January. In February a recommendation for award will be made, for a July 1 effective date.

Concerning the Early Retiree Reinsurance Program (ERRP), an update was given last meeting stating we were about to submit a request for reimbursement. That was done on September 30 in the amount of $7.7 million (M). If that is received, that will make $11M to date for FY11. For FY11 $3.3M was already received. Money hasn't been received, nor confirmation yet from CMS that payment was approved for the $7.7M. Aon said it takes four to six weeks, since the change in the detail that must be sent with the cost payment request. It is anticipated we will hear something within the next month. More than one request per quarter cannot be submitted. Another report will be prepared for submission by the end of this calendar year. The last number Ms. Lakeman saw showed about $3 billion (B) of the $5B in the program has been given out. Request will continue to be made until the money is gone.

Minnesota Life had a ten dollar withdrawal fee for those who contributed to the cash accumulation account and want to take out their funds. A minimum of $100 can be withdrawn up to the maximum one had put into the account. That fee has been removed as of November 1.

The Health Fund financials are looking good. As of the end of September there is a $39M surplus. At the last meeting it had been down because of a prior month with five weeks of claims to be paid. It's staying between $30M and $40M surplus range. A $1.7M Medicare Part D subsidy and $5.4M prescription rebates were also received. The prescription rebates are usually quarterly and they run about $5.M. The months those are received we see an increase in the bottom line.

A brief recap to this point was given as Ms. Griffin arrived. Ms. Jenner asked if what has been submitted has been received. Ms. Lakeman stated that for us yes. Only two requests were submitted before they changed the details required. Now we have to go back and submit detail for the $4.7M already received. Aon is working on that. Ms. Griffin inquired about the $39M surplus and how it compares to the end of September of last year. The number was $4M at the same time in FY11. At the beginning of FY11 the claims were high and experience turned around in following quarters which built up a surplus. Details of the increases were discussed and why they came about. Ms. Lakeman read that others are experiencing the same low utilization. The question is why and whether people are foregoing services and keeping their money. Caution needs to be used not knowing if this is an anomalie.

Leslie Ramsey who is the program lead for the Disability Insurance Program reached out to SEBC members and spoke with two thirds of them for questions they might have had concerning the Rules and Regulations changes. There were few questions. One question was that it talked about no longer being eligible as of normal service retirement and what that meant. That was changed to normal service retirement at age 65. That means if you're on long term disability (LTD) and you turn 65, if you entered the plan before you were 60, you would go into retirement as opposed to continuing on LTD. Another question was about pre-existing conditions in the LTD program which doesn't apply to all. Those who elected into the program during the first election period for the plan at the end of 2005 for 2006, have no pre-existing condition limitations. For those who enrolled at the second time which was the end of 2006, plus people hired after January 1, 2006, do have a pre-existing limitation for the LTD program. It was explained that if you had a pre-existing condition before you were hired in 2006, then you go out on short term disability (STD) and then LTD, as a result of the same condition, there is a waiting period on LTD. It does not mean you can't get it, but there is a waiting period of 12 months. An example was given. If a person was hired tomorrow and went out three months after hire for something that existed before being hired, they get STD, but LTD will be delayed. The last question was what is different in the document from what is happening in the program now. Nothing as we simply need to put in writing some of what is already in Delaware Code as well as the policies and procedures already being followed, so everyone would have it in writing. The end users in the agencies, schools, and employees will have a guideline for reference.

This will be put to SEBC for a vote to approve the rules as they are. If approved, one change will be made to the retirement service at age 65. The timeline was given for the process. November 15th the changes have to be to the Registrar of Regulations to get them published. A legal ad must be placed in two newspapers in December. A public hearing would be held the first SEBC meeting in January for comments to be made. A court reporter must be present. If any changes result from the public hearing and public comment, changes would have to be made and the process would start over. If no changes are needed then the rules and regulations would be published February 15 for a March 11 effective date.

Complaints Brought to SEBAC – Pat Griffin

Some complaints had been brought to SEBAC concerning the change in health benefits requirements for employee spouses who are retired. They were referred from the Benefits Office. One person's situation was explained. Both the employee and spouse had been retired for ten plus years. At time of their retirement they told the spouse's company they would not use the company insurance. Many of these people are elderly and trying to make a change like this is much more difficult for them. They are not in the loop of how you do that and trying to make it happen is more difficult. Many are on fixed incomes. Going into another plan and having to make up the difference in cost is a big concern. Prescription plans can cost a lot more.

The question arose as to why the state didn't look at the double state share (DSS) benefit instead of doing this. Ms. Lakeman explained how DSS is going away for new hires as of January 1, 2012, and those who continue as DSS will have to pay a $25 fee per month, per plan starting July 1, 2012. It was clarified that someone's spouse who already made the choice to not use their employer's benefits upon retirement is still eligible to remain on the state plan. Discussion and questions with clarification as to how this will affect spouses who retired from DuPont followed, along with how it will affect their prescription plans.

Different scenarios were explained, including how things change when DSS employees retire. When they turn 65 they enroll in Medicare A and B, and a Medicare Supplement. They must be on separate contracts at that point. One will pay five percent or $25 per contract, whichever is less at the time. This was all part of HB 81 which also included changing the number of years one had to work to get specific percentages of their health insurance paid for by the state. Full details of those changes were given. Co-pays and deductibles for retiree spouses were also discussed.

This has been very confusing to retirees and they are reacting. Ms. Griffin asked if there was help for them. Ms. Lakeman stated they put the frequently asked questions on the Benefits Office website. They have been calling the Benefits Office and the Pension Office for help. Mr. Nichols asked if we can break it down as simply as possible. All agreed using simple language in these instances is needed. Ms. Jenner stated the callers' emotional framework colors their ability to understand.

Someone asked if a follow-up letter would be sent. The response was no. Another asked why was the letter sent to those who don't cover their spouses. She responded that if their spouse does retire and is coming onto the state plan they need to know the policy.

Ms. Cooke asked if this information would be discussed with HR people as they discuss a lot of these things around their retirement time. They are the conduit for that information. Ms. Lakeman stated that at HR Roundtable people were aware the information went out and there were no questions.

Ms. Lakeman informed that she looked at the spousal coordination of benefits (SCOB) electronic database and found 17,753 entries, and there were 905 retired people with spouses who had no insurance. To clarify she stated the spouse did not elect their former employer's insurance, or the spouse was self employed and hand none. Paper forms were not included. As of yet there are 4,400 plus Medicare eligible spouses we cover who probably don't have other coverage. The state pays secondary in those cases, which is 20 percent. There is a small pool under 65 with a larger pool over 65.

3. SEBAC Comment to SEBC

Ms. Griffin asked who could attend SEBC on Monday, October 24th to present the SEBAC comment. Ms. Cooke volunteered. Their comment will be: Members of SEBAC have been contacted by retirees on fixed incomes who expressed concerns regarding the changes in the Spousal Coordination of Benefits policy and how they will affect them. The SCOB which was revised effective July 1, 2011, requires spouses who are retired or will retire from an employer who offers retiree health insurance coverage to enroll in the employer's retiree health plan under certain circumstances. Specifically, the retirees who have contacted members of the SEBAC expressed concerns that they were not grandfathered into the policy and the potential negative financial impact of the policy on retirees on fixed incomes.

There were comments about health benefits not being guaranteed at anytime. Some hadn't realized that. Delaware has always provided it and all agreed the state is very generous with benefits. Ms. Lakeman stated the SCOB form will be revised.

By mid November there will be more information concerning the Civil Union. The Benefits Office is coordinating with other entities. Those who have a certificate from another state will be able to present it in the first 30 days and it will be acknowledged in Delaware. Ms. Lakeman also informed that at the November 15th Key End User meeting at the Fire School more information will be presented.

4. Other Business

None.

5. Public Comment

Tim Barchak stated he read the DIP document and it seemed to be good.

Being no further business, Ms. Lakeman asked for a motion to adjourn. Mr. Nichols made the motion and Ms. Carson seconded the motion. Upon a unanimous verbal approval the meeting adjourned at 4:02 p.m.

Respectfully submitted,

Mary Thuresson
Administrative Specialist
Statewide Benefits Unit, OMB